Corruption from a cross-cultural perspective

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Abstract

Purpose – Because cultures operate in very different ways, different activities are corrupting in different parts of the world. Taking the view that corruption is an activity that tends to undermine a cultural system, this paper aims to examine this issue.

Design/methodology/approach – The paper analyzes real-life situations in Japan, Taiwan, India, China, North America, sub-Saharan Africa, the Middle East, and Korea to distinguish actions that structurally undermine a cultural system from those that are merely inefficient or are actually supportive.

Findings – Cultures have fundamentally different behavioral norms due to their different conceptions of human nature. They can be broadly classified as rule-based and relationship-based, distinguished by the fact that behavior is regulated primarily by respect for rules in the former and authority figures in the latter. Corrupting behavior differs around the world partly because of different norms, and partly because cultural systems break down in different ways. Activities such as nepotism or cronyism that are corrupting in the rule-based cultures of the West may be functional in relationship-based cultures. Behavior that is normal in the West, such as bringing lawsuits or adhering strictly to a contract, may be corrupting elsewhere. Practices such as bribery that are often corrupting across cultures are nonetheless corrupting for very different reasons.

Originality/value – The paper provides culturally sensitive guidelines not only for avoiding corruption but also for understanding the mechanisms that make a culture work.

Keywords Cross-cultural studies, Business ethics, Corruption

Paper type Conceptual paper

The world is shrinking, but its cultures remain worlds apart, as do its ethical norms. Bribery, kickbacks, cronyism, and nepotism seem to be more prevalent in some parts of the world, and one wants to know why. Is it because some peoples are less ethical than others? Or is it because they have different ethical systems and regard these behaviors as acceptable?

As one might expect from a complicated world, the truth is more complicated than either of these alternatives. Behavioral differences result partly from different norms, and partly from the fact that cultures deviate from their norms in different ways. Cultures sometimes truly differ in what they value. The common view that cultures agree on the basics but differ on the details is simply false. The differences are fundamental because they rooted in different conceptions of human nature. At the same time, all cultures fall short of their ideals. It is not that some cultures are "less ethical" than others, but that every culture has its own characteristic way of breaking down.

The phenomenon of corruption provides a good illustration of these realities. Corruption is best understood as behavior that corrupts: it undermines the cultural system in which it occurs. Because cultures can operate in very different ways, very different kinds of behavior can corrupt. Practices that Westerners consider

Cross Cultural Management
Vol. 16 No. 3, 2009
pp. 251-267

1352-7606
DOI 10.1108/13527600910977346

questionable, such as cronyism and nepotism, may be functional in other cultures. Practices that are routine and acceptable in the West, such as bringing a lawsuit for breach of contract, may be corrupting and dysfunctional elsewhere. Still other practices, such as bribery, may be corrupting in a wide range of cultures, Western and non-Western, but for very different reasons.

Relationships versus rules

The West tends to be universalist in its outlook: every society works, or should work, essentially the same way. Its business practices, for example, should be based on a market system that is characterized by transparency and regulated by laws that apply to everyone. A country that fails to conform to this model is seen as underdeveloped or dysfunctional. It follows from this view that corruption is basically the same in Sweden as in Sudan.

The reality, however, is that different cultures use radically different systems to get things done. Whereas Western cultures are primarily rule-based, most of the world's cultures are relationship-based. Westerners tend to trust the system, while people elsewhere trust their friends and family. Westerners organize their business around discrete deals that are drawn up as contracts or agreements and enforced by a legal system. Other cultures may organize their business around human relationships that are cemented by personal honor, filial duty, friendship, or long-term mutual obligation. Loyalty to cronies is suspect behavior in the West but represents high moral character in much of the world.

Rule-based cultures are universalist precisely because they are rule-based. While relationship-based cultures invest authority in human beings, rule-based cultures respect the rules for their own sake. Rulers derive their authority from the rules they enforce and by which they are chosen, not from who they are. Rules can command this kind of respect only if they are seen as inherently logical and reasonable. But logic is universal, and rules worthy of observance are therefore viewed as universally valid. These ideas are further developed in Hooker (2003).

When norms differ

Armed with the broad distinction between rule-based and relationship-based cultures, we can begin to investigate how and why corruption may take different forms in Western and non-Western countries.

What is corrupt in the West may be acceptable elsewhere

The classic example of the purchasing agent illustrates this point. The Western purchasing agent is expected to award contracts based on the quality of bids and transparently available financial information about the bidders. An agent who favors personal friends is viewed as corrupt, because cronyism subverts this transparency-based system. It creates a conflict of interest: a choice that is good for the agent and his or her cronies may not be good for the company.

In much of the world, however, cronyism is a foundation for trust. A purchasing agent does business with friends because friends can be trusted. He or she may not even ask to see the company financials, since this could insult the other's honor. It is assumed that cronies will follow through on the deal, not because they fear a lawsuit, but because they do not wish to sacrifice a valuable relationship in an economy where relationships are the key to business. In such a system it is in the *company's* interest for the agent to do business with friends, and cronyism may therefore present no conflict of interest.

What is acceptable in the West may be corrupt elsewhere

Lawsuits provide an example of this. In the West, which relies on rules and individual responsibility, lawsuits are routine and necessary. In Japan, however, they can be corrupting. Japan is a strongly relationship-based culture in which interpersonal relations are based on maintaining harmony. Harmony is preserved by elaborate courtesies, humility, deference to superiors, and avoidance of confrontation. Lawsuits traditionally have no place in this system because they promote confrontation. After a 1985 Japan Airlines crash, CEO Yasumoto Tagaki traveled the country to apologize personally to families of the victims and offered educational benefits to children who lost their parents, and he then resigned (Haberman, 1996). The apology and resignation do not indicate personal guilt as in the West, and the benefits were not the result of a lawsuit. In fact, Boeing repairs, not the airline, were at fault. The intent was to make amends. Another dramatic illustration of this principle was provided on 24 November 1997 when Shohei Nozawa made a tearful apology to employees and stockholders shortly after Yamaichi Securities declared bankruptcy. Nozawa was not admitting guilt and in fact had just assumed his position as CEO in order to clean up a mess left by others. His aim was to restore harmony among the stakeholders.

Even so basic a practice as negotiation, which is routine in the West, can disrupt harmony in Confucian cultures. Westerners tend to organize their affairs around agreements, deals, or contracts, relying on a concept of covenant that traces back to the ancient Middle East. These agreements are hammered out in negotiation, as for example when labor and management sit across the table from each other. This practice is functional and constructive, so long as it proceeds according to rules of fair play and good faith.

Confucian cultures, by contrast, are based primarily on loyalty and obligation to friends, family, or superiors rather than on a system of rules. There is a traditional preference for building relationships rather than making deals, and the relationship-based approach remains the more effective one today in many contexts. Bargaining across the table tends to be regarded as confrontation rather than negotiation, even when it is strictly regulated by protocol, as in Japan. Confrontational bargaining is prevalent in street markets precisely because the parties typically do not have a working relationship. This kind of bargaining is acceptable when long-term collaboration is not required. But when undertaking the major projects on which civilization rests, it is best to develop harmony and trust among the parties rather than rely on Western-style negotiation.

To take another example, employees in North America and to some extent Europe see nothing wrong with moving from one firm to another in search of a better salary, even if this means quitting a firm in the middle of a project. The system can tolerate this kind of behavior, and the competitive nature of the job market may rely on it to some extent. But in a relationship-based setting, this is viewed as irresponsible and selfish conduct. Projects often require cooperation between firms. In a Western setting, the firms relate to each other as organizations. Employees are more or less replaceable, as long as someone with the right qualifications can be found. In a relationship-based setting, the firms are linked to a great degree by personal relationships between the individuals in them. Job-hopping in pursuit of personal gain can be very disruptive, and therefore corrupting.

What is corrupt both in the West and elsewhere may be corrupt for different reasons
Bribery is corrupting in the West because it induces people to depart from established rules and procedures. Furthermore, if bribes become common enough, people in general may lose faith in the system and flout the rules routinely. Bribery is normally corrupting in relationship-based cultures as well, but for a different reason: it short-circuits the building of stable relationships on which society relies. A bribe "buys" a relationship only until the next bribe is required.

When norms are violated

Bribery tends to be more prevalent in relationship-based cultures because building a relationship requires time and effort. There is always a temptation to take a short cut. There can also be a fine line between legitimate relationships and *quid pro quo* bribery, which makes it easier to slip from one to the other. A Western analogue would be litigiousness, or overuse of the legal system, since there is an equally fine line between legitimate lawsuits and nuisance lawsuits.

Rule-based systems, on the other hand, are particularly vulnerable to cheating. This stems from the fact that behavior is regulated as much by respect for rules as respect for people. It is important to understand that rule-based cultures are not distinguished by the mere presence of rules. Relationship-based societies may be equally awash in rules. Rule-based cultures differ in two fundamental ways:

(1) the rules have inherent authority, rather than deriving authority from the persons who lay them down; and

(2) they are largely enforced by guilt feelings and fear of punishment if caught, rather than constant supervision.

The rule-based approach is particularly explicit in the USA, where all legal authority ultimately rests in a written Constitution.

Cheating is a threat to rule-based cultures because behavior is much less likely to be regulated by direct personal supervision. This requires less social overhead and helps account for the economic efficiencies that the more prosperous Western countries enjoy. But minimal supervision also carries risks. Complicated rule-based institutions rely largely on voluntary good behavior, and when a critical mass of people fall short, stability is threatened. By contrast, life in relationship-based cultures is organized around strong and vital relationships with parents, older siblings, friends, and bosses. These persons are constantly on hand (or on the mobile phone) to exert their authority and regulate behavior. The social cost is higher, and it takes longer to get things done, but a distributed system of personal relationships can be more stable.

Scenario: kickbacks in Taiwan

It is instructive to examine a few scenarios, based on real events, in which the potential for corruption can be analyzed. In one scenario, a Western manager was assigned to his company's Taiwan branch (Lamb, 2002). Shortly after his assignment he met with a team representing a potential local supplier and noticed that, after the team departed, one of them left behind a briefcase. While looking for the owner's name, he found the valise to be full of cash.

The cash is intended as a kickback, or a bribe to induce the Western manager to source from this particular firm. The situation is actually easier to deal with than many, because the locals are offering a bribe rather than demanding one. Although kickbacks are common in Taiwan, they are nonetheless corrupting. China and Taiwan rely on the stability provided by long-term relationships of mutual obligation, popularly known as *guānxì* (Mandarin Chinese for "connection"). While pre-established relationships among family members, and between boss and subordinate, are important and often serve as foundation for business, but these alone are insufficient for many types of commerce. Bonds of trust must often be cemented between individuals who are otherwise unrelated. The relationship may begin with a gift, which might be reciprocated with a fine dinner. The process continues, until eventually one party is securing customers for the other, or the second is finding jobs for relatives of the first. These favors are not quid pro quo and are not bribes. If they were quid pro quo, the relationship would evaporate as soon as one party failed to reciprocate. Rather, they are investments in a relationship of mutual trust. Dishonesty or failure to follow through on a promise could in fact endanger the relationship, and both parties therefore have reason to trust the other in business dealings. Neither party wants to risk losing valuable *guānxì* in which he or she has invested over the years.

As for the briefcase full of cash, the US manager refused it, partly due to a clearly articulated company policy against receiving such payments. He dispatched a trusted subordinate to return the briefcase to the owner. He then sent a vaguely worded message to the owner's boss stating that he was returning lost property. The owner clearly got the cash from his boss, and the US manager did not want him to keep it and leave his boss with the impression that the money had been delivered. The boss was actually relieved that, in this case at least, no kickback was expected.

Although a kickback is corrupting in this type of situation, cronyism can be functional. It would not be a corrupt act for the US manager to award the contract to a trusted friend with whom he had done business for years, even if that person's bid were not the lowest. This is also in the company's interest, because personal trust in the vendor is well worth the premium the company must pay. Cronyism can of course be abused, if for example the manager awarded the contract to friend he knows to be incompetent. Responsible cronyism favors friends because they can be trusted to do a good job, not simply because they are friends. Responsible cronyism is nonetheless cronyism because personal trust can justify a business decision even when the decision is not supported by such transparently available information as detailed bids or financial reports.

Scenario: bribery in India

The Indian economy in 1992 was on the threshold of becoming an information-age powerhouse, although it was not obvious at the time. India's Congress party had just introduced sweeping market reforms, under the leadership of Prime Minister P.V. Narasimha Rao and his finance minister Manmohan Singh (later to become Prime Minister). One firm that foresaw India's potential was Enron, which predicted that reliable electric power would play a central role in the country's new information economy. The company joined with Bechtel and General Electric to finance a gigantic power plant at Dabhol, in Maharashtra State. It was to be India's largest ever private foreign investment.

Unfortunately, the cost of generating power at the plant was projected to be substantially greater than the prevailing rate. Despite this liability, the Indian government guaranteed Enron a very generous return on investment. There were suggestions, particularly from such figures as Gopinath Munde (1995) in the opposition Bharatiya Janata Party (BJP), that bribery was involved. This and other accusations of corruption in the Congress Party, along with a Hindu nationalist uprising, thrust the BJP into power in 1998. Meanwhile, prominent journalist Raghu Dhar claimed that Enron tried to bribe him to withdraw his opposition to the Dabhol plant[1]. Public opinion turned against the project, and protestors descended on the construction site. Amnesty International charged that Enron was hiring private security guards to rough them up. The BJP eventually backed off from the Enron deal when it took power, despite appeals from US Vice President Dick Cheney and Secretary of State Colin Powell to honor the commitment. A small portion of the plant finally began operating in 1999, but only in fits and starts, and at this writing the bulk of the project remains mothballed.

Without actually accusing Enron of bribery, one can nonetheless ask whether it would be corrupting in such a case. Bribery is a fact of life in India, and one could take the attitude that one should "do as the Romans do". Yet the Taiwanese scenario just discussed shows that common practice is not a reliable indicator of what is corrupting and what is not. The system may operate in spite of prevalent behavior rather than because of it. Conversely, one could infer that bribery is corrupting in such cases from the fact that Indians widely disapprove of it – at least when bribery is understood as high-level influence peddling, as opposed to small "grease" payments. Yet what people say or think about a practice is not the relevant test. The test for corruption is whether the practice tends to undermine the system.

India is a relationship-based culture that relies only to some extent on imported Western institutions. The primary mechanism for getting things done is a highly developed skill for working through social networks, often based on extended family relationships. The government is nominally parliamentary, but real power is often exercised through a remarkably resilient web of personal and family connections. The country can weather widespread riots and communal violence, as occurred after the 1992 destruction of the Babri mosque in Ayodhya, without seriously threatening the stability of its economic and political system. Arguably, transparency-based political discourse and free market choices alone would not survive the powerful forces of communal strife in India if the society were not also bound together by the strong cords of personal relationship.

Bribery obviously does not cultivate this kind of relationship and therefore threatens social stability to the extent that it displaces traditional networking. If Enron had established itself in India by "pulling strings", that is, by working through connections with influential people, then that would be altogether consistent with the cultural system, however much Westerners (and many Indians) might prefer a transparent approach involving bids and contracts. But bribery is clearly corrupting. It is actually a double liability, because it corrupts India's quasi-Western institutions as well as its traditional social mechanism. These institutions, particularly the judicial system, play a role of growing importance, and bribery clearly undermines them.

The routine "facilitating payments" for which India is well known require a different analysis. Many Indians find them a dreaded nuisance, while the functionaries who benefit tend to regard them as a just and necessary supplement to meager salaries. One can argue that grease payments are economically inefficient, but it is unclear that mere inefficiency constitutes corruption. The funds that Western firms lavish on advertising and sales personnel are also an inefficient use of resources, but they can be seen as a necessary cost of operating a market system. Rather than undermining the system, they are a functional part of the system, albeit an expensive one. Similarly, one might argue that wholly public financing of a transparent bureaucracy is socially and politically impossible in India, and that grease payments provide resources that would otherwise be unavailable. They may therefore be regarded as a functional part of India's relationship-based system, albeit an expensive one, rather than a force that tends to undermine it.

The situation is complicated, and there are certainly many cases where payments distract functionaries from carrying out their duties and lead to misuse of resources. To the extent that payments distort choices in this way, they are in effect bribes and have the same corrupting influence as bribes. Also, many who accept payments can get along perfectly well without them, and in their case the payments play no functional role. But to the extent that payments merely provide a necessary fee for services, they cannot be regarded as corrupting. Granted, this may be a fee that only persons of sufficient means can afford, even though others may be legally entitled to the same services. Yet it is unclear that this fact undermines a system that is already historically structured around large disparities of power and wealth.

One might argue that kickbacks in Taiwan are, likewise, a necessary cost of operating a relationship-based system. They are in fact a *weakness* of the system, in the sense that there is always a temptation to take shortcuts to relationship-building. But it is unclear that they are an element of the cultural mechanism. Kickbacks are largely absent in some industries, which suggests that they are unnecessary, and in any case, they do not provide indispensable resources. Few managers who make purchasing decisions face poverty if they reject kickbacks. The payments therefore play no clear functional role in this particular system but simply create a drag on it.

Scenario: nepotism in China

In 1888, Lee Kam Sheung founded an oyster sauce business in rural Guangdong Province, China (Lief and Ward, 2005). By 2005, the family-owned company had grown into a major food and health products firm, Lee Kum Kee Ltd (LKK), based in Hong Kong. It operated manufacturing plants in China, Malaysia, Philippines, and the USA. It sold in 80 countries and employed 3,900 workers. Lee's grandson Man Tat was Group Chairman and had appointed his four sons to serve as chairmen and/or CEOs of various divisions.

Man Tat was aware of the importance of bringing professional managerial expertise into his growing company. He addressed this need partly by sending his sons to college in the USA and then persuading them (primarily by an appeal to filial duty) to join the company as top managers. But he went further by augmenting his Board of Directors with non-family professionals. By 2005 it contained two outsiders, in addition to himself and his sons. He planned to add two more outsiders to the board and to recruit high-level managers who "were culturally attuned to the firm and family as CEOs of its divisions" (Lief and Ward, 2005, p. 6). In other words, he would choose professional managers who are comfortable with nepotism.

This raises the question as to whether a professional manager *should* be comfortable with nepotism in LKK. Is it corrupting? One can make a case that, on the contrary, it is highly functional in a Confucian setting. The extended family is historically the primary unit of economic survival in China. It is a little army with the discipline and loyalty necessary to scrape out a living in a harsh environment. The grandfather is the general who enforces discipline but takes care of his troops. The priorities for a Confucian family member are clear: parents and grandparents come first, then children, and only then oneself. This tradition is very much alive today, particularly in Taiwan, Hong Kong, and many overseas Chinese communities, although it is somewhat modified in the large Mainland cities. Nepotism is not necessarily a part of this pattern, but often is. Parents can take care of their children by sending them to expensive North American schools to train them for lucrative jobs overseas, but they may at some point find jobs for their children through relatives or friends. Children take care of their parents by providing personal and/or financial assistance, but they may also join the family business after picking up managerial experience abroad.

Westerners associate nepotism with the lazy and incompetent relative on the staff, but it can have its advantages in a Confucian setting. While a Western grandfather may go easy on his grandson, a Chinese grandfather comes out of a tradition where elders have authority, and the younger ones obey. A Chinese manager may extract more work from his sons, grandsons, and nephews than from non-family members. Relatives may not be the most talented available candidates for the job, but grandfather or uncle knows their strengths and weaknesses intimately and can take advantage of the skills they do have. Observers have remarked on the advantages of nepotism even in some Western settings (Bellow, 2003a, b; Perman, 2006).

Nepotism can, of course, go terribly awry, as can employment based on résumés and interviews. A famous example is Wang An, a scientist from Shanghai who emigrated to the USA and founded the highly successful Wang Laboratories (Fukuyama, 1992). On retirement in 1986 he selected his son, Fred, to take over. The company immediately began a downhill skid and declared bankruptcy within a few years. No less than cronyism, nepotism must be used responsibly to benefit the firm as well as the individuals concerned. Man Tat evidently succeeded in this. Nepotism is also problematic in a government setting. This point is not lost on the Chinese, who introduced civil service exams for the state bureaucracy during the Sui Dynasty 14 centuries ago. Today, nepotism is often illegal, or at least officially discouraged, in the context of government agencies and state-owned enterprises. Inappropriate nepotism can therefore be corrupting even in a Confucian context. Nonetheless family business, and the nepotism that often goes with it, remains a central Chinese institution outside the Mainland and is increasingly reasserting itself in the Mainland, as non-state firms proliferate.

LKK demonstrates that nepotism can adjust itself to a changing world. Although the family members expect to maintain control of the business, they are aware of possible cultural complications. For example, they intentionally avoid antagonizing outside professionals with the kind close supervision that is characteristic of relationship-based cultures. As one of Man Tat's sons put it, "I'd like to think that we have been careful enough in hiring and training the right people and providing an overall idea of where we're going and why that we don't need to be standing over anyone's shoulder" (Lief and Ward, 2005, p. 7).

Scenario: accounting fraud in North America

Nortel Networks is a telecommunications company based in Toronto, Canada. During the period 2000-2003 its executives relied on income smoothing to help meet quarterly income targets. This is the practice of using accounting tricks to transfer income from the next quarter to the present one to bring reported income up to par. The executives feared that if the company came in below its target, the market would punish it with a lower stock price.

One of Nortel's primary tactics was the questionable use of bill-and-hold transactions. This is a transaction in which a customer orders a product in the current quarter but does not take delivery until the next quarter. The seller is allowed to record the revenue in the current quarter. Nortel offered several of its customers incentives to write letters requesting bill-and-hold transactions, including price discounts, interest deferments, and extended billing terms.

Canadian and US Generally Accepted Accounting Principles (GAAP) permit this kind of early revenue recognition only if certain conditions are met. One condition is that the customer must request the bill-and-hold transaction and have a substantial business reason for doing so. Nortel created the appearance of meeting this condition by arranging for the letters, but only the appearance. This and other schemes led the US Securities and Exchange Commission to file civil charges, and some executives eventually paid fines in an out-of-court settlement. The Ontario Securities Commission subsequently pressed fraud charges against three executives, who were arrested in June 2008 (Mathieu and Freeman, 2008).

Nortel's behavior is corrupting because transparency is a foundation of the system in which the company operates. By and large, North American investors have not developed a tradition of cultivating friends and extended family relationships through which they can channel investment capital. On the contrary, it is common advice not to get financially involved with either, because of the friction that can result. It is therefore necessary to invest in companies whose managers are essentially strangers. This kind of investment can be tolerably safe only if there is some reliable way to obtain information about the firm. The firm must be transparent to investors, and professional accounting practices are the means by which it is made transparent. This kind of transparency also has the advantage that capital can flow from anyone who has it to any company that can make good use of it, irrespective of whether personal relationships exist.

Income smoothing is not always corrupting, as for example when a company has been working on a major sale whose revenues will not appear until the next period. Reporting the true revenue in the current period could actually reduce transparency because it gives a false impression that the company is having problems. Yet if smoothing is to correct such misperceptions, there must be some guideline as to when and how much smoothing is appropriate, because otherwise firms will take liberties and transparency will again suffer. GAAP standards are designed to remove this kind of ambiguity. Nortel's income smoothing was corrupting, not only because it corrected no misperceptions of this kind, but also because even if it did, it was contrary to GAAP standards.

This case also illustrates the ease with which rules can be violated in the limited-oversight environment of a rule-based system. These Nortel executives were deterred neither by guilt feelings nor by fear of being caught. In fact, one suspects that they were eventually caught only because they perpetrated sustained and rather egregious violations of accounting standards over a period of three years.

Not only do rules violators often go undetected, but a few bad apples can trigger widespread instability – resulting in fragility that at least partially offsets the efficiency advantage of a rule-based system. The global financial crisis that is under way as this is written provides an excellent example. Unprofessional practices in a portion of the relatively small (10-20 percent) subprime sector of the US mortgage loan market precipitated a worldwide credit freeze, a massive drop in stock values, and finally a global recession. These actions were not even illegal. The crisis was intensified by the actions of a few finance operatives who issued trillions of US dollars in credit default swaps without sufficient reserve capital – again, conduct that was for the most part perfectly legal, albeit contrary to good professional practice. Lack of transparency in mortgage-backed securities also contributed to the crisis. Basically, no one was watching.

Scenario: corruption in Sub-Saharan Africa

Dr Mo Ibrahim and Terry Rhodes founded Celtel International, a wireless service provider, in 1998 (Karim *et al.*, 2008). They set out to find business opportunities in sub-Saharan Africa, partly because it was a largely untapped market at the time, but also because Ibrahim, Sudanese by origin, wanted to contribute to African economic development. Although personally aware of the obstacles, he believed that Westerners often shied away from investment in the region due as much to their unfamiliarity with it as to sound business considerations.

Ibrahim and Rhodes resolved to play it clean if at all possible. They often avoided side payments simply by waiting out customs and other officials who demanded money in exchange for timely approval. On one occasion they transformed the arrival of their equipment into a flashy public relations event, so that the customs officer could not delay matters without personal embarrassment. On another occasion they contributed to a school rather than bribe the local chief directly.

However, in Guinea they encountered an impasse[2]. Celtel had purchased a $750,000 operating license from the Guinean government, but there were interminable delays in the steps necessary to implement the license. Finally, Rhodes and colleagues managed to set up a meeting with key government officials who could clear the way. Shortly before the meeting, a fax arrived in Celtel's Amsterdam headquarters listing the Guinean officials who would be present. Next to the names were monetary amounts, totaling about $50,000. These were payments demanded in exchange for setting up the meeting. Further bribes would be necessary to close the deal. Due to poor telephone service in Guinea, Rhodes was initially unaware of the fax. The Guinean officials at the meeting looked as though they were expecting something, and when disappointed, the meeting reached a deadlock. Afterwards, Rhodes realized what had occurred and tried working through other channels. He repeatedly hit a brick wall.

Bribery is ubiquitous in much of sub-Saharan Africa, and much of the explanation can be found in cultural disruption. While it is difficult to make generalizations about a region that contains hundreds of cultures and languages, a common theme across many of them is their traditional village orientation. The coming of colonialism, and more recently globalization, has severely undermined village life, particularly the role of leaders. In the village context, leaders retain power in part by judicious redistribution of resources. Their privileges allow them to accumulate wealth, and they in turn endow their subjects with gifts and favors. Anthropologists refer to this as a "big man" institution, first described as such in Melanesia. The big man system presumably evolved because a community has greater survival advantage when the chief can redistribute wealth to where it is needed.

When colonial powers brought Western-style government to sub-Saharan Africa, many leaders left villages to take government jobs in the capital. They took with them the practice of obtaining influence through generosity, but they left behind the village context that structured and guided this practice. To oversimplify a long and complicated story, the responsible distribution of wealth to maintain influence degenerated into payment of bribes to buy influence. Bribery is corrupting in Africa, but the truer story is that it is a particularly visible result of a deeper corruption. The displacement of men in general, not just of male leaders, to jobs far from the village arguably accounts for many of Africa's problems today, including prostitution and the consequent spread of HIV-AIDS.

None of this resolves the issue as to what Terry Rhodes should do. There may be situations in which bribery is ethically justified. The purpose here is not to give ethical advice, however, but to identify what corrupts and what does not. In the case of sub-Saharan Africa, the corruption stems not so much from bribery as from a profound cultural mismatch between traditional African societies and the Western nations that have wielded so much influence in the region. The point here is not to find fault with either party. Many Africans accepted Western-style jobs and other opportunities with as much eagerness as they were offered. It is only to acknowledge a cultural dynamic that helps to shape modern Africa, often for the worse.

Scenario: side payments in the Middle East

On arrival at a Turkish airport, an MBA student from the US joined the passport control queue. On reaching the front of the queue, he handed his passport to the official. Rather than stamping the passport, the official put it in a drawer and proceeded to process the new few travelers in the queue. Perplexed, the student asked if there was a problem. The official responded that there was no problem that 50 US dollars would not fix. The student reluctantly pulled out his wallet and handed over the money. At this point the official returned his passport, but without a stamp, and continued to process the queue. When the student asked whether his passport could be stamped, the official responded that certainly, it could, but this would require another $50.

Small, irritating side payments are a fact of life in Turkey. In one survey of ordinary people, as opposed to government officials or business people (Adaman *et al.*, 2001), about half of the respondents admitted to paying at least one bribe in the previous two years. The survey found, for example, that traffic police required an average bribe of $25. Other bribes included $50 on the average for school officials, $63 for tax inspectors, $97 for public hospitals, $98 for the registry of deeds, $113 for municipal governments, $130 for non-traffic police, $260 for law courts, and $280 for customs.

The root cause for this proliferation of side payments is again the imposition of Western institutions in a relationship-based culture, a common phenomenon around the world but a particularly explicit one in Turkey because of Kemal Atatürk's deliberate attempt to Westernize the Turkish state he founded after the First World

War. Traditional Turkish culture, whose roots extend deep into Asia, is not designed to support a Western-style bureaucracy that relies heavily on unsupervised adherence to rules.

Side payments are inefficient and thoroughly despised by Turks who must pay them, but they are not always corrupting. They need not undermine a cultural mechanism in the way that kickbacks can undermine and displace *guānxì*. The airport payment is not corrupting, because it has no influence on whether travelers are actually cleared through passport control (the traveler has little choice but to pay up). Nor does it displace a relationship-oriented practice that would otherwise operate. Admittedly, the payment plays no functional role, either, as do some payments in India.

Many payments in Turkey are less innocuous, however. They span the gamut from traffic fixes to high-level influence peddling. They can distort decision making and the implementation of much-needed policies in Turkey's quasi-Western system. A particularly tragic example is the death toll resulting from a 1999 earthquake that struck the city of İsmit in the middle of the night. Multilevel concrete apartment blocks collapsed like houses of cards, crushing thousands. The construction standards on the books are designed for a seismic region, but building contractors too often bribe inspectors not to enforce them (*BBC News*, 2003).

Turkey is split between East and West as much culturally as geographically, but the Eastern, relationship-oriented side of its nature remains functional in many contexts. In a typical scenario, the foreign visitor is welcomed with warm hospitality, that being the Turkish tradition. It eventually surfaces in conversation that the visitor is having some difficulties with the system. In the next few days, the host asks some old friends to take care of these matters. This is not corruption, but hospitality. It is appropriate behavior for a people who for centuries have been bound together by friendship and hospitality rather than by adherence to rules and procedure.

Turkey and other Middle Eastern countries are high power distance cultures, meaning that the inherent authority of certain persons is generally regarded as proper and natural. One typically cannot get something done simply by following procedures, although this may be necessary, but must have the support of influential people. Business people working in Arab countries, particularly in the Gulf area, frequently tell of projects in which nothing much happened until the appropriate *sheikh* or authority figure gave the go-ahead, whereupon everything fell into place as though by magic. A word from above can cut through months of procedure and delay.

It is therefore essential to know as much as possible about the important families and the lines of authority in them. This in itself is not corruption, because there are traditional checks and balances on power. The *sheikh* is expected to act with Koranic justice and with the interest of his subordinates at heart. Leading families command respect and therefore retain power in part because they have a tradition of exercising power responsibly. The system can obviously break down, as can any, for instance when some family members fail to learn the responsibilities of leadership from their elders.

This raises the question as to how one obtains the sponsorship of an authority figure. In traditional Arab culture, the *sheikh* ideally grants an audience to any of his subjects with a legitimate request. This is the traditional purpose of the *majlis* (Arabic for sitting place), which is a council in which the *sheikh* hears petitions and grants favors when warranted. King Abdul Aziz, founder of Saudi Arabia, reportedly held *majlis* sessions several times a day. Today, however, it is often necessary to work through someone who has the ear of an influential person. Such a person is popularly known as a *wasta*, who is an intermediary or middleman who petitions an authority figure on behalf of a client. The word can also refer to the practice of mediation, or to the influence or "pull" that the *wasta* offers. *Wasta* is often used to get a good job, admission to a university, or a business opportunity.

Wasta is widely regarded as a form of corruption, particularly because intermediaries may require payments for their services. This is largely true, although one must be careful to note exactly what about *wasta* is corrupting. *Wasta* has drifted far from its original Bedouin role as mediation and peacekeeping between families or tribes. Yet many practices referred to as *wasta* have roots in the responsible leadership of the *sheikh*, and to the extent they still perform this function, *wasta* makes a salutary contribution. The intermediaries can in effect be agents through which a responsible authority figure exercises influence. *Wasta* can also denote the common practice of working through networks of friends and extended families, which has the stabilizing effect already described in the case of India. Finally, *wasta* can take the form of an administrative service that handles procedures and documents, much as might be done by a lawyer or customs agent, and this in itself is innocuous. *Wasta* becomes corrupting when intermediaries obtain favors that would not be granted by a responsible decision maker, or when they are motivated by bribes rather than loyalty to an extended family, institution, or responsible leader.

One similarity between Middle Eastern and Western cultures should be noted, and that is the important of the agreement or contract. It is in fact from the Middle Eastern concept of the covenant that the West inherited its preoccupation with contracts (one thinks of the covenant between God and humankind that is so central in much of Jewish and Christian scripture). Yet due to the relationship orientation of the Middle East, follow-through is traditionally a matter of personal honor rather than legal enforcement. It is vitally important to be true to one's word to preserve one's relationship with business partners. As in much of the relationship-based world, written contracts function more as memoranda of understanding than as legal documents.

Scenario: gifts to Korean officials

A US accounting firm in the process of setting up operations in South Korea found it necessary to obtain a number of permits from the government. When the approval process bogged down, a local consultant offered to take care of the problem. When asked how, he confided that he would hand his government contact a white envelope – with money inside. His consulting fee would include an unitemized allowance for the payment (Kerr, 1999).

Side payments of this kind are common in Korea, even if they occasionally erupt as public scandals that can bring criminal prosecution, particularly if the amounts are large or government purchasing contracts are at stake. To some extent they result from a blurring of the boundary between gifts and bribes. Businessmen who are granted a meeting with an important official may bring a gift as a token of gratitude, and the gift often takes the form of cash. Gifts of gratitude are culturally appropriate and are not bribes, but if the giver is requesting a favor, they can slip into the category of bribery. Or a firm might send an official an unusually large gift in observance of a wedding, or condolence gift in case of death in the family. If the firm subsequently requests a dispensation from the official, the gift looks like a bribe.

There is a deeper phenomenon at work, however, and it suggests a functional role for side payments if they are kept under control. Government regulation has played a major part in creating the Korean economic miracle, which can be traced back to the 1960s. While studying at a Japanese military academy as a young man, the South Korean dictator Park Chung Hee learned about the Japanese *zaibatsu*, or family-controlled vertical monopolies, which he saw as giving Japan a strong position in world trade competition. (They re-emerged in a different form after the Second World War as *keiretsu*.) After taking power, Park resolved to adapt this practice to the Korean situation. He created a partnership between the government and family-owned companies now known as *chaebol* (a Korean term that is cognate to *zaibatsu*). He set up a system of "guided capitalism" that directed the *chaebol* to follow a coordinated industrial policy, in exchange for financing and special favors. The eventual result was spectacular economic success.

In a strongly relationship-based culture like the Korean one, it is unrealistic to try to influence behavior simply by laying down regulations as one might do in Germany or Sweden. One alternative is close supervision, which in the case of government takes the form of a police state (one thinks of North Korea). Park was nothing if not authoritarian, yet an iron hand alone could not work in a liberalizing South Korea, and Park's repressive measures eventually led to his assassination. A more successful strategy was to implement regulation through personal relationships between business people and government officials. These relationships are established in part by gifts that signal a willingness to do what the official wants in exchange for cooperation and favors from the government. Up to a point, the gifts can cement the relationship by showing that the donor is willing to invest in it and is therefore serious about following through. Yet due to the instability of a purely quid pro quo relationship, it is important not to let the payments metastasize into obvious bribery. It is therefore not surprising that egregious gifts, when publicly exposed, result in serious loss of face and even criminal prosecution. A recent case is the exposure of major bribes allegedly offered by Samsung, one of the largest *chaebol* (Choe, 2007). There have also been cases in which journalists are bribed not to expose bribes (De Mente, 1994).

Korean side payments can be compared with double parking in New York City. A certain amount of it is necessary to allow delivery trucks to unload and keep the population alive, but too much of it would paralyze the city. Limited side payments may therefore be functional rather than corrupting in a Korean context. This not to deny that they may violate such laws as the US Foreign Corrupt Practices Act, which forbids bribery of foreign government officials, even when the payment is made by a local agent on behalf of a US company (South Korea, for the record, has a similar law). Since laws of this kind may permit facilitating payments and extortion payments, one should consult an attorney to sort things out. Yet whatever the legal situation, a suitable side payment in the Korean situation is culturally distinguishable from an outright bribe.

Ethics and human nature

The radical differences in the ethical norms discussed here trace ultimately to different interpretations of human nature. Westerners, for example, invest leadership in rules rather than persons because they see human beings as autonomous, rational individuals. This poses a problem of leadership. It would appear that no one can take charge, because no one autonomous individual can have legitimate authority over others. Rational individuals can, however, respect rules because they recognize the validity and universality of rules that are inherently logical. Leaders can therefore derive authority from the rules they enforce and by which they are chosen. This provides a principle for social cohesion and leads to the rule-based transparency of the West. Because there is less reliance on personal and family connections, these institutions have weakened over the centuries, and Westerners have come to rely on a structured environment for security. This has given rise not only to rule-based institutions but to a massive investment in technology to create predictability in both the natural and social environment. Technology does not cure all ills, and it has contributed to a lifestyle of unsustainable consumption, but it can also be the key to solving problems that range from disease to depleted energy sources.

The Middle East is the birthplace of monotheism, which understands human beings to be creatures of a transcendent and omnipotent God. God placed humans in a secular world and charged them with the responsibility of taking care of it and each other. This conception displaces a world inhabited by spiritual forces with a natural realm for which we have responsibility, and over which we can exercise control when necessary. It gave Islamic civilization, and later European civilization, spiritual permission to develop science-based technology as a means of control. Equally important, when there is but one God, the will of God is universal. This introduces the idea of universal values, which led to the development of a rich ethical and legal tradition in both civilizations that plays a central role in regulating conduct today. This legal tradition combines with the Middle Eastern concept of covenant to shape much of Western business practice as we know it.

In a Confucian system, human beings surrender much of their autonomy to parents, ancestors, or rulers. Personhood is defined primarily by relationships with others rather than existence as an individual. This gives rise to the central role of personal authority and saving face, and it places responsibility on the ruler rather than the individual. The deepest ethical duty is to take care of those to whom one is so deeply related, a duty reflected in nepotism. Any broader obligation must be grounded in cultivated relationships, whence the importance of *guānxì* and cronyism. This type of system is often regarded as outmoded, but such telecommunication tools as smart mobile phones and networking websites are proving their ability to enhance and strengthen personal connections. We may see a technology-enabled resurgence of relationship-based activity. To a great extent, Chinese business people are already exploiting this possibility as they rapidly extend their operations into countries that are more comfortable with relationships than Western ruled-based transparency. Due to the inherent resilience of relationship-based systems, the eventual result could be greater stability in what is today a largely Western-inspired world order that seems constantly on the verge of system breakdown.

A prevalent African view, which is shared by many other traditional cultures, is that the basic unit of human existence is the community. Ideally, people do not distinguish their individual welfare from the collective welfare, and the economy is based on sharing of resources. Sharing can occur spontaneously and often does, but the village may benefit from pooling resources and redistributing them according to the wise judgment of a chief. Incompatibility of this tradition with Western practices and institutions accounts for much of the corruption we now see in Africa. Yet African cultures kept the human species alive for countless millennia, while they were the only cultures. In an age increasingly concerned with sustainability, we may see a return to some of the communal values of traditional cultures, while practices that are now dominant on the world stage may come to be seen as corrupting because of their unsustainability.

The Hindu/Buddhist worldview likewise declines to see human beings as separate entities and, in its most rarified expression, interprets them as manifestations of a single consciousness (*atman*). This perspective highlights the connectedness of all life and is reflected in a social system that relies fundamentally on connectedness. The ideal is very imperfectly realized, because only certain kinds of connections matter, and a de-emphasis of individual equality allows the lowest classes to be neglected. The importation of Western norms further complicates the situation. Yet civilizations can work gradually toward realization of their ideals, as the West has attempted to do in the area of human rights over the last few centuries. A worldview that profoundly understands the connectedness of all life may have the potential to unite human beings with each other and the biosphere in a way that an individualistic worldview cannot support.

It is tempting to view the diversity of norms as a problem, particularly when one system seeps into another and creates the dysfunction that we too often experience as corruption. Yet each cultural world view brings a deep reservoir of ideas and resources for dealing with a rapidly changing world, whether it be the technology and efficient organization of the West, the theological and ethical perspective of the Middle East, the stability of Confucian relationships, the communal values of traditional African cultures, or the connectedness of all living things in Indian pantheism. Cultures with very different values have coexisted alongside one another for eons, often in a peaceful and mutually beneficial way. Rather than fight corruption by trying to standardize behavior worldwide, it seems best to allow each cultural system to evolve organically in its own direction and work out its own problems, with enough interaction to exchange goods and ideas, but not so much as to create interference and dysfunction. Cultural diversity, no less than ecological diversity, is good for the planet.

Notes

1. Enron's bribe apparently took the form of a lucrative job offer to Dhar in public relations if he would support Enron's activities (*BBC News*, 2002).
2. The case description states that certain information, including the location of the events, is disguised. Presumably Guinea is not the real location of the incident related above.

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